

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5932-01  
Bill No.: HB 2321  
Subject: Economic Development  
Type: Original  
Date: January 25, 2016

Bill Summary: This proposal establishes the Missouri Advanced Industries Acceleration Act.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue	\$0 to (Unknown Greater Than \$100,000)	\$0 to (Unknown Greater Than \$100,000)	\$0 to (Unknown Greater Than \$100,000)
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0 to (Unknown Greater Than \$100,000)</b>	<b>\$0 to (Unknown Greater Than \$100,000)</b>	<b>\$0 to (Unknown Greater Than \$100,000)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Advanced Industries Acceleration Cash*			
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

\*Transfers In and Costs net to zero.

Numbers within parentheses: ( ) indicate costs or losses. This fiscal note contains 6 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
General Revenue	1 FTE	1 FTE	1 FTE
<b>Total Estimated Net Effect on FTE</b>	<b>1 FTE</b>	<b>1 FTE</b>	<b>1 FTE</b>

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
Local Government	\$0	\$0	\$0

## FISCAL ANALYSIS

### ASSUMPTION

Officials at the **Department of Economic Development (DED)** assume this proposal creates §620.850 establishing the Missouri Advanced Industries Acceleration Act requires DED to administer the program.

- The program gives proof-of-concept grants, early-stage capital and retention grants, and infrastructure funding grants. All grants shall be funded with moneys in the advanced industries acceleration cash fund.
- The legislation lays out what types of projects qualify for each type of grant.
- Requires DED to establish procedures and timelines for grant applications on or before September 1, 2016. Requires DED to submit a report each year on the grants given.
- Creates the "Advanced Industries Acceleration Cash Fund" in the state treasury. Funded by the General Assembly and gifts, grants, donations from private or public sources.
- The Department's administrative expenses for the program in a fiscal year shall not exceed 5% of the moneys transferred or appropriated to the fund. The program sunsets six years after effective date.
- There is no limit on the amount of grants - it is subject to the money available in the Fund.

This legislation creates a new program for DED to administer so DED will require 1 FTE Economic Development Incentive Specialist III (at \$52,092 per year). The potential negative economic impact is contingent on the amount of money appropriated by the General Assembly to the Fund.

**Oversight** has, for fiscal note purposes only, changed the starting salary for the Economic Development Incentive Specialist III (\$42,288) to correspond to the second step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees over the last six months and policy of the Oversight Subcommittee of the Joint Committee on Legislative Research.

Officials at the **Office of Administration's Division of Budget and Planning (BAP)** assume this proposal establishes the Advanced Industries Acceleration Grant Program which will award proof-of-concept grants, early-stage capital and retention grants, and infrastructure funding grants and be administered by the Department of Economic Development (DED).

Proof-of-concept grants may be awarded to an eligible office of technology transfer, and the maximum amount of the grant shall be \$150,000, unless an applicant qualifies for a preference

ASSUMPTION (continued)

from DED.

Early-stage capital and retention grants may be awarded to eligible companies for the purpose of accelerating the commercialization of advanced industry products or services to be manufactured or performed in this state. The maximum amount of a grant will be \$250,000, unless an applicant qualifies for a preference from DED.

Infrastructure funding grants may be awarded to an advanced industry project building or utilizing infrastructure to support or enhance the commercialization of advanced industry products or services to be manufactured or performed in this state. The maximum amount of the grant will be \$500,000, unless an applicant qualifies for a preference from DED.

There is no limit to the number of grants that may be awarded annually, but at least 15% of the total program grants should be awarded to each of the three types of grants each calendar year. If the percentage cannot be met due to a lack of qualified applicants, the deficiency will roll forward to the next year.

This proposal would also create the Advanced Industries Acceleration Cash Fund which consists of gifts, grants, and donations, any grant money refunded upon the completion of an approved project, and any other moneys appropriated by the General Assembly.

This program may encourage other economic activity, but BAP does not have the data to estimate the induced revenues. The program grants funded by the Advanced Industries Acceleration Cash Fund are subject to appropriation; therefore, this proposal could reduce General Revenue, but there is no enough available data for BAP to determine the potential future impact.

Officials at the **Office of the State Treasurer** assume no fiscal impact form this proposal to their organization.

**Oversight** assumes there is no cap on this program. We are unable to determine the number of qualified projects that may apply for this program. Therefore, Oversight will show the fiscal impact as \$0 (no project qualifies) to Grants Totaling More Than \$100,000.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
<b>GENERAL REVENUE</b>			
<u>Transfer Out</u> - Advanced Industries Acceleration Cash Fund	\$0 to (Unknown Greater Than <u>\$100,000</u> )	\$0 to (Unknown Greater Than <u>\$100,000</u> )	\$0 to (Unknown Greater Than <u>\$100,000</u> )
<u>Cost</u> - DED			
Personal Service	(\$35,240)	(\$42,711)	(\$43,138)
Fringe Benefits	(\$18,038)	(\$21,761)	(\$21,877)
Equipment and Expenses	(\$7,401)	(\$1,257)	(\$1,288)
<u>Total Cost</u> - DED	(\$60,679)	(\$65,729)	(\$66,303)
Total FTE Change - DED	1 FTE	1 FTE	1 FTE
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b>\$0 to (Unknown Greater Than <u>\$100,000</u>)</b>	<b>\$0 to (Unknown Greater Than <u>\$100,000</u>)</b>	<b>\$0 to (Unknown Greater Than <u>\$100,000</u>)</b>
Total Net FTE Change on General Revenue	1 FTE	1 FTE	1 FTE
<b>ADVANCED INDUSTRIES ACCELERATION CASH FUND</b>			
<u>Transfer In</u> - General Revenue	\$0 to Unknown Greater Than \$100,000	\$0 to Unknown Greater Than \$100,000	\$0 to Unknown Greater Than \$100,000
<u>Cost</u> - grants awarded to eligible projects	\$0 to (Unknown Greater Than <u>\$100,000</u> )	\$0 to (Unknown Greater Than <u>\$100,000</u> )	\$0 to (Unknown Greater Than <u>\$100,000</u> )
<b>ESTIMATED NET EFFECT ON ADVANCED INDUSTRIES ACCELERATION CASH FUND</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

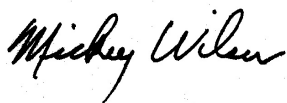
FISCAL DESCRIPTION

This proposal establishes the Missouri Advanced Industries Acceleration Act.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Economic Development  
Office of Administration's Division of Budget and Planning  
Office of the State Treasurer



Mickey Wilson, CPA  
Director  
January 25, 2016

Ross Strobe  
Assistant Director  
January 25, 2016